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26 MAR 1987

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Ladies and Gentlemen:

We have considered your application for recognition of exemption from federal income taxation under the provisions of section 501(c)(4) of the Internal Revenue Code.

Information submitted indicates that you were incorporated pursuant to the statutes of the State of [REDACTED] on [REDACTED].

As recited in your articles of incorporation, the specific purposes for which you are incorporated are for the "... betterment of the greater [REDACTED] area and/or the betterment of the game of golf."

In furtherance of the above purposes, you currently are primarily engaged in sponsoring the [REDACTED]. This tournament is sanctioned by the Professional Golfers Association and is open to all professional golfers. You state that by conducting this tournament, you help to increase public awareness of the game of golf as well as stimulate the economy of the [REDACTED] area.

Information that you have submitted indicates that as a result of a recent tournament sponsored, you were able to raise approximately \$[REDACTED]. Of this amount, approximately \$[REDACTED] went for prize money and expenses. During this same period of time, you donated approximately \$[REDACTED] to civic and/or charitable purposes.

In a more recent submission, you indicate that slightly more than \$[REDACTED] will be donated to civic or charitable entities as a result of the [REDACTED] tournament. We do not have a breakdown of the receipts or expenses associated with this more recent tournament.

You have stated that no further activities beyond the conduct of the tournament are currently being planned.

Section 501(c)(4) of the Code provides for the exemption from federal income taxation of civic leagues and organizations not organized for profit but operated exclusively for the promotion of social welfare.

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Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization coming within the scope of this section is one which is operated primarily to bring about civic betterments and social improvements.

Section 1.501(c)(4)-1(a)(2)(ii) of the Income Tax Regulations provides that an organization is not operated primarily for the promotion of social welfare if its primary activity is carrying on a business with the general public in manner similar to organizations which are operated for a profit.

Revenue Ruling 74-298, 1974 C.B. 133, provides that a nonprofit organization whose sole activity is sponsoring an annual professional golf tournament for which it leases a golf course and charges admission, is not operated primarily for the promotion of social welfare and does not qualify for exemption under the provisions of section 501(c)(4) of the Code. This Revenue Ruling states that a professional golf tournament is an activity that can be operated for profit. The activities conducted by the organization were akin to those carried on by tournaments carried on for profit.

In the present situation, your operation of the tournament can best be characterized as a means to an end. The activity itself is a commercial endeavor, operated for a profit and benefitting professional golfers. You state that the existence of the tournament in your area benefits the area economically. This may be true. However, this benefit is similar to the benefits generated by any business activity that draws tourists or participants to an area. The regulations cited above are clear in that the primary activity of an organization seeking exemption under section 501(c)(4) must not be of a commercial nature. The primary activity of your organization is of a commercial nature. The fact that a percentage of the monies generated by the venture are used for contributions does not take away from the characterization of your primary activity as commercial.

Accordingly, your organization is not operated exclusively for the promotion of social welfare as required by Code section 501(c)(4).

As an organization not described in section 501(a) of the Code, it will be necessary for you to file Form 1120 for all years of your corporate existence.

You have the right to protest our ruling in regard to your private foundation status if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days of the date of this letter and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference, you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he/she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

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If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, if you have any questions about your federal income tax status, including questions concerning reporting requirements, please contact your key District Director.

*Original  
Mailed  
3/26/87*

Sincerely yours,

(signed) [REDACTED]

Chief, Exempt Organizations  
Rulings Branch

cc: [REDACTED]

[REDACTED]

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[REDACTED]	[REDACTED]					
Surname	[REDACTED]	[REDACTED]					
Date	3-18-87	3/19/87					

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